

GENERAL OBLIGATION BOND 2003-04 TAX RATE

Annual Tax Rate for Voter-Approved General Obligation Debt Service for Fiscal Year 2003-04

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Executive Summary: On July 17, 2003, the City issued \$10,000,000 General Obligation Bonds, Election 2002, Series A. The City is obligated to annually levy ad valorem taxes upon all taxable properties within the City, for the payment of the bond principal and interest. The purpose of this report is to ask the City Council to establish the fiscal year 2003-04 tax rate of \$0.292 per \$100 of assessed valuation (.00292%). The resolution requests and authorizes the County of Alameda to levy this tax rate on all taxable properties within the City.

BACKGROUND: The City sold its first series of the \$51 million voter authorized general obligation bonds on June 24, 2003 with actual bond issuance on July 17, 2003. The competitive bids as shown below came lower than the anticipated interest costs (4.74%) presented in the report to the City Council on May 13, 2003. The bid rates included the average interest rates including the cost of issuance with Morgan Stanley DW, Inc as the lowest bidder.

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| • Morgan Stanley DW, Inc | 4.308% |
| • Fidelity Capital Markets | 4.358% |
| • UBS Financial Services Inc. | 4.401% |
| • Citigroup Global Markets, Inc. | 4.462% |

Standard & Poor's rated the bonds AA- with a "stable outlook". This rating made no change to the implied general obligation rating based on the City's essential lease (Certificates of Participation) rating of A+ which has remained unchanged for several years. According to the rating agency "the stable outlook reflects the city's diverse economy with a solid taxpayer base, continued solid financial performance, and manageable debt."

Another assurance to the investors, the bonds carry an AAA rating because there is an MBIA insurance policy, which unconditionally and irrevocably guarantees the full and complete debt service payment to the bondholders. The cost of the insurance is included in the interest rate as a component of issuance cost.

Fiscal Year 2003-04 tax rate: The City must raise \$649,751.79 to cover debt service payments from July 17, 2003 to August 1, 2004. By adopting the resolution, the City authorizes the County of Alameda to levy the tax rate of \$0.292 per \$100 of assessed valuation (.00292%). The tax rate is calculated by taking one and half year of required debt service payments minus (a) collection on hand, if any, (b) the

tax levy on unsecured property (none during the first year) and the result is divided by the gross amount of assessed value adjusted by a delinquency factor. Since this is the initial year, the levy will only be on secured properties.

ENCLOSURE: Resolution

RECOMMENDATION:

1. Establish the tax rate of \$0.292 per \$100 of assessed valuation (.00292%) for the fiscal year 2003-4.
2. Adopt the resolution requesting and authorizing the County of Alameda to levy a tax on all taxable properties in the City as a voter approved levy with respect to the fire safety general obligation bond.

